

AVT NATURAL PRODUCTS LIMITED

25th Annual Report
2010-2011

AVT NATURAL PRODUCTS LIMITED

BOARD OF DIRECTORS

Mr. Ajit Thomas, *Chairman*
Mr. M.A. Alagappan
Mr. Shyam B. Ghia
Mr. P. Shankar I.A.S. (Retd.)
Mr. Habib Hussain
Mr. M.S.A. Kumar, *Managing Director*

AUDIT COMMITTEE

Mr. M.A. Alagappan, *Chairman*
Mr. Shyam B. Ghia
Mr. P. Shankar I.A.S. (Retd.)
Mr. Habib Hussain

COMPANY SECRETARY

Mr. Dileepraj. P

AUDITORS

M/s Suri & Co.,
Chartered Accountants
Chennai.

BANKERS

Bank of Baroda
State Bank of India
The South Indian Bank Ltd.,
Citi Bank

PLANT LOCATIONS

SF No. 234/1, Mysore Trunk Road,
Puduvadavalli, Sathyamangalam - 638 401,
Erode District, Tamil Nadu.

HL No. 1182, Harikura Village,
Honavally Hobli, Tiptur Taluk - 572 202,
Tumkur District, Karnataka.

Vazhakulam, Marampilly Post,
Aluva - 683 107, Ernakulam District,
Kerala.

SUBSIDIARY COMPANIES

AVT Natural Pte. Ltd.,
17, Phillip Street, # 05-01, Grand Building,
Singapore - 048695.

Heilongjiang AVT Bio-Products Ltd.,
(Subsidiary of AVT Natural Pte. Ltd.,)
Shuangyashan State Farm, Baoshan District,
Shuangyashan City, Heilongjiang Province, China.

REGISTERED OFFICE

60, Rukmani Lakshmipathy Salai,
Egmore, Chennai - 600 008.
Tel: 044-28584147, Fax: 044-28584147
E-mail: shareholder@avtspice.com

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the Company will be held at **11.00 A.M. on Wednesday, the 7th September 2011 at Hotel Vestin Park, PALKI HALL, No. 39, Montieth Road, Egmore, Chennai - 600 008**, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at and the Profit & Loss Account for the year ended 31.03.2011 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in the place of Mr. Shyam B. Ghia, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Mr. Habib Hussain, who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and to fix their remuneration.

By order of the Board
For **AVT Natural Products Ltd.,**

Place : Chennai
Date : 22nd July 2011

Dileepraj. P
Company Secretary

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER. PROXY FORMS, COMPLETE IN ALL RESPECTS, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. FORM OF PROXY IS ENCLOSED.**
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 2nd September 2011 to 7th September 2011 (both days inclusive).
3. The dividend as recommended by the Board, if approved at the meeting, will be payable to those

members whose names appear in the Register of Members as on 7th September 2011.

4. Members are requested to notify immediately any change in their address to the Company's Share Transfer Agent, M/s Cameo Corporate Services Limited, 'Subramanian Building', No.1, Club House Road, Chennai - 600 002 in the case of physical holdings, and to their respective Depository Participants in case of demated shares.
5. Members are requested to lodge their e-mail ID's along with the name and Folio/Client ID No. to Company's Share Transfer Agent, M/s Cameo Corporate Services Limited, 'Subramanian Building', No.1, Club House Road, Chennai - 600 002, Email - narasimhan@cameoindia.com to enable the Company to send all future communications including Annual Reports through e mode.
6. Members are requested to notify the Company's Share Transfer Agent immediately of their Bank Account Number and name of the Bank and Branch in the case of physical holdings and to their respective Depository Participants in the case of demated shares, so that the payment of dividend when made through Electronic Clearing Service (ECS) / Dividend Warrants, can capture the updated particulars to avoid delay / default.
7. Pursuant to the provisions of Section 205A of the Companies Act, 1956, all the unclaimed/unpaid Dividends upto the inclusive of financial year 2000-01 have been transferred to the 'Investor Education and Protection Fund' established by the Central Government. Those members who have not encashed their dividend warrants for the financial years ended on 31.3.2004, 31.03.2005, 31.3.2006, 31.3.2007, 31.3.2008, 31.3.2009, 31.3.2010 and 31.3.2011 may lodge a claim with the Company immediately, failing which the balance will be transferred to the Investor Education and Protection Fund at the end of the statutory period of 7 years, as envisaged in the section 205A(5) of the Companies Act, 1956.
8. Members are therefore advised to claim the unclaimed dividend, if any, immediately.
9. Members are requested to note that trading of company's shares through Stock Exchanges is

permitted only in demat form. Those members who have not yet converted their holdings into the demat form may please consider opening an account with an authorized Depository Participant and arrange for Dematerialisation of share, in their own interest.

10. The members, who have not yet obtained the share certificates for the Bonus shares issued by the Company in the year 2006, are requested to approach immediately the Company's Share Transfer Agent, M/s Cameo Corporate Services Limited, 'Subramanian Building', No.1, Club House Road, Chennai - 600 002 and claim the same.
11. In terms of clause 49 of the Listing Agreement with Stock Exchanges, a brief resume of the directors who are proposed to be re-appointed at this meeting is given below.

a. Mr. Shyam B. Ghia

Mr. Shyam B Ghia, aged 63 years, is an industrialist with interest in variety of fields including Chemicals, Fibres, Polymers and Software. Mr. Ghia has Bachelor of Science Degree in Chemistry and an MBA from Bowling Green University, USA. He is currently the Chairman and Managing Director of Futura Polyesters Limited and Innovassynth Investments Limited and the Chairman of Innovassynth Technologies (India) Ltd., besides being the Director in various other Companies.

His Other Directorships :

Name of the Company	Nature of Office held
Futura Polyesters Limited	Chairman & Managing Director
Innovassynth Investments Limited	Chairman & Managing Director
Innovassynth Technologies (India) Limited	Chairman
Sonata Software Limited	Director
Alkyl Amines Limited	Director

He is the member of the Audit Committee and the Remuneration Committee of the Company.

His other Committee Memberships/Chairmanships:

Name of the Company	Name of the Committee
Futura Polyesters Limited	Member, Investor Grievance Committee
Sonata Software Limited	Chairman, Investor Grievance Committee Member, Remuneration Committee Member, Audit Committee
Alkyl Amines Limited	Chairman, Remuneration Committee Member, Investor Grievance Committee Member, Audit Committee

b. Mr. Habib Hussain

Mr. Habib Hussain, aged 58 years, holds a degree in Electronics Engineering from Bangalore University and has vast experience. He joined AVT group in the year 1974 and rose to become the Director of this company in 1995. He is the Chief Executive of A.V. Thomas Leather & Allied Products Limited and has expertise in business administration. He is the Member of the Committee of Administration - Council for Leather Exports and also the Member of the National Committee - Confederation of Indian Industry.

His other Directorships are :

Name of the Company	Nature of Office held
The Nelliampathy Tea & Produce Co Limited	Director
A.V. Thomas Investments Company Limited	Director
Neelamalai Agro Industries Limited	Director
AVT Info-tech Private Limited	Director
Consortium of Shoe Manufactures Private Limited	Chairman
Alina Private Limited	Director
National Skill Development Corporation	Director

He is the member of the Audit Committee and the Shareholders / Investors Grievance Committee of the Company.

DIRECTORS' REPORT

Your Directors are pleased to present the Twenty Fifth Annual Report of your Company together with the Audited Accounts for the financial year ended 31st March 2011.

FINANCIAL RESULTS:

The standalone performance of the Company for the financial year ended 31st March 2011 is summarized below:

	(Rs. In lakhs)	
Particulars	2010-11	2009-10
Income from Operations	13890.37	8312.60
Other Income	14.58	35.10
Total Income	13904.95	8347.70
Profit before tax for the year	<u>1644.88</u>	<u>1011.96</u>
Less : Provision for taxation		
- Current Tax	570.00	320.00
- Deferred Tax	(6.60)	40.00
Profit after tax	1081.48	651.96
Add: Surplus brought forward	315.57	329.98
Total Amount available for appropriation	1397.06	981.94
Less:		
Transfer to General Reserve	600.00	400.00
Proposed Dividend on Equity Shares @ 50 % (Rs.5 per equity share)	380.71	228.43
Provision for tax on Dividends	61.76	37.94
Surplus carried Forward	354.58	315.57

OPERATIONS REVIEW:

Your Company has scaled new heights during the year under review. The key aspects of your Company's performance during the financial year 2010-11 are as follows:

- Sales of key product in the company's portfolio - Marigold Oleoresin - jumped by 52% during 2010-11.
- Turnover increased by 67% from Rs. 83.13 Crores in 2009-10 to Rs. 138.90 Crores in 2010-11.
- Profit After Tax increased by 66% from Rs. 6.52 Crores in 2009-10 to Rs. 10.81 Crores in 2010-11.

- Earnings Per Share (EPS) for the year increased by 66% from Rs. 8.56 in 2009-10 to Rs. 14.20 in 2010-11.

The detailed Operational Performance of the Company has been comprehensively discussed in the Management Discussion and Analysis Report which forms part of Directors' Report.

DIVIDEND:

The outstanding performance of the Company has enabled Directors to recommend a dividend of 50% (Rs.5 per equity share) on 76,14,200 Equity shares of Rs. 10 each for the year ended 31.3.2011.

PERFORMANCE OF SUBSIDIARY COMPANY:

AVT Natural Pte. Ltd., Singapore together with its subsidiary, Heilongjiang AVT Bio-Products Limited, China has recorded sales of Rs. 8.61 Crores and profit of Rs. 29.59 Lakhs in the period ended December 2010 against the sales of Rs.7.15 Crores and a profit of Rs. 20.41 Lakhs during the period ended December 2009. We expect an improved performance in sales and profits of the subsidiary company in 2011 from our Chinese operation due to increase in growing areas, higher flower output and better Marigold Oleoresin prices.

ACCOUNTS OF SUBSIDIARY COMPANY:

Pursuant to Section 212 of the Companies Act, 1956, the Balance Sheet, Profit & Loss Account, Director's Report and the Auditors Report for the period ended 31st December 2010 of AVT Natural Pte. Ltd., Singapore, overseas subsidiary of your company and its Chinese Subsidiary, Heilongjiang AVT Bio-Products Limited, have been kept at the Registered Office of your company for inspection by any share holder. The company shall furnish a hard copy of the accounts to any share holder on demand. The Consolidated financial statements audited by the Statutory auditors of the company have been attached to this Report.

QUALITY, HEALTH, SAFETY AND ENVIRONMENT:

At AVT Natural Products Limited (AVT NPL), Quality, Health, Safety and Environmental (QHSE) responsibilities are integral. AVT NPL has acquired International Standards ISO 9001:2008, ISO 22000 for HACCP and Kosher Certification by Circle U. As a part of its objective

to improve quality, health, safety and environment in the work place and developing an Integrated Management System (IMS), we are currently working on ISO 14000:2004 for Environment, PAS 220 for GMP Certification and OHSAS 18001:2007. We are also preparing an "On Site Emergency Plan" for augmenting Plant Safety Standards.

FIXED DEPOSITS:

As on 31.03.2011, a total sum of Rs. 8.92 Lakhs due to 14 fixed deposit holders remained unclaimed. Out of this, deposits for a sum of Rs. 7.98 Lakhs were renewed / repaid subsequently.

RECOGNITION OF IN HOUSE R&D UNIT:

The Department of Scientific & Industrial Research, Technology Bhavan, Under Ministry of Science & Technology has accorded its recognition to the in-House, R&D facility of your company located at South Vazhakulam, Marampilly Post, Aluva, Kerala, which is valid up to the period ending 31st March 2012, will be renewed thereafter.

AWARDS AND ACCREDITATIONS:

During the year under review, your Company had won the "Second Prize" amongst Large Scale Industries of Kerala for 2009/10 instituted by the Kerala State Pollution Control Board. AVT Natural is winning this award second year in a row.

SHIFTING OF THE REGISTERED OFFICE OF THE COMPANY:

Pursuant to the resolution passed by the Board of Directors of the company at its meeting held on 29th April 2011, the registered office of the company has been shifted with effect from 12th May 2011 from No. 64, Rukmani Lakshmi pathy Salai, Egmore, Chennai - 600 008, to No. 60, Rukmani Lakshmi pathy Salai, Egmore, Chennai - 600 008.

WIND MILL:

The Company has set up a windmill project 600 KW WTG, Kokkampalayam Village, Dharapuram Taluk, Erode District, Tamil Nadu. The wind mill has started its commercial operation with effect from 27th September 2008. The wind mill generated 12,05,325 units in the year 2010-11 against 13,94,064 units in generated the year 2009-10. This output is as per our projections.

DIRECTORS:

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company Mr. Shyam B. Ghia, Director and Mr. Habib Hussain, Director, retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-appointment.

RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, ENERGY CONSERVATION:

The particulars prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 relating to Conservation of Energy, Technology Absorption, Foreign Exchange are furnished in the Annexure-I to this Report.

PARTICULARS OF EMPLOYEES:

None of the employees of the Company is coming under the purview of Section 217(2A) of the Companies Act, 1956. Details of managerial remuneration under section 198 of the Act are furnished under the Note No. 9 (a) of Schedule 19 forming part of the Accounts.

AUDITORS:

M/s. Suri & Co., Chartered Accountants, Chennai 600 017, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. They have confirmed that their re-appointment, if made, will be within the limits specified under Section 224 (1-B) of the Companies Act, 1956.

CORPORATE GOVERNANCE:

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, the Management Discussion & Analysis Report, Report on Corporate Governance with Auditors' Certificate on compliance with conditions of Corporate Governance have been annexed to this Report.

INSURANCE:

The Company continues to carry adequate insurance for all assets against foreseeable perils.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. That in the preparation of the accounts for the financial year ended 31st March 2011, the applicable accounting

standards have been followed along with proper explanation relating to material departures;

2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the accounts for the financial year ended 31st March 2011 on a 'going concern' basis.

ACKNOWLEDGEMENT:

Your Directors wish to express their sincere thanks and place on record their appreciation for the continued co-operation and support extended by the share holders, depositors, customers, farmers, bankers namely State Bank of India, Bank of Baroda, The South Indian Bank, CITI Bank, suppliers, stock exchanges and other stake holders.

The Directors also wish to express their appreciation and to thank all the employees for their contribution, support and continued cooperation throughout the year.

For and On behalf of the Board

Place : Chennai
Date : 22nd July 2011

Ajit Thomas
Chairman

ANNEXURE - I **To the Directors' Report**

FORM-A

Disclosure of particulars with respect to conservation of energy

A	Power and fuel consumption	Not Applicable
B	Consumption per unit of Production	Not Applicable

FORM-B

Disclosure of particulars with respect to absorption

Research and Development (R & D)

Specific areas of Research and Development	The Company is focusing on three areas of R & D - (a) Planting Material Development - Marigold Seed Development (b) Development of New Crops (c) New Product Lines
Benefits of R&D	Superior planting materials seed will benefit farmers by way of increased yields thereby improving the net farm returns. The company will benefit through higher levels of active ingredient, lower costs and superior global competitiveness. New crops and new products aim to improve the top line, minimize dependency on the lead product line and help the company to expand product portfolio.
Future Plan of action	The focus on new marigold seed generation will continue. A substantial project in soluble beverages is being planned. Work in Nutraceutical and Phytochemicals ingredients will continue.
Expenditure on R&D	
a) Capital	Rs. 3,25,497
b) Recurring	Rs. 1,55,20,041
c) Total	Rs. 1,58,45,538

Foreign Exchange Earnings / Outgo

The Company's operations during the year under review have resulted in a foreign exchange inflow of Rs. 123.27 Crores and outflow of Rs. 33.84 Crores.

ANNEXURE - II

Management Discussion and Analysis Report

The discussion hereunder covers the financial results of AVT Natural Products Limited (AVT NPL) for the financial year 2010-11 and its business outlook for the future. This outlook is based on our assessment of the current business environment and climatic factors affecting Indian Agriculture. The change in future economic and other developments are likely to cause variation in this outlook.

ECONOMIC OUTLOOK:

India's growth in the year 2010-11 has been good and broad-based. Thanks to a bountiful and timely monsoon showers, Indian Agriculture has shown a rebound, industry is regaining its earlier momentum. Service sector continues its near double digit run. Fiscal consolidation has been impressive. This year has also seen significant progress in those critical institutional reforms that would set the pace for double-digit growth in the near future. More importantly, the economy has shown remarkable resilience to both external and domestic shocks. Though the development of India's external sector in the current year have been encouraging, our principal concern this year has been the continuing high food prices and poor labour availability and escalating labour costs in our Marigold growing areas. Your Company continues to strengthen its business and has improved its position in the global market and posted encouraging performance for the year under review.

BUSINESS PROFILE:

AVT NPL operates in the business segment of "**Solvent Extraction**". There are 3 product categories we currently operate in the market:

- Spice Oils and Oleoresins for Food colouring and flavoring.
- Marigold Extracts for Poultry pigmentation, Eye care and Food Colouring
- Value Added Beverages through removal of Caffeine from Back Tea using different solvent systems like Ethyl Acetate and Methylene Chloride.

While Marigold Extracts for Eye care and Food colouring is manufactured in India, Poultry pigmentation product is manufactured in our China subsidiary.

INDUSTRY STRUCTURE AND DEVELOPMENT:

The Indian "Spice Oils and Oleoresins Industry" widely recognized as a Global Leader has started experiencing competitive pressures from China. Paprika is an example

wherein Raw Material costs are lower in China and the Processing is cost efficient due to scale / large capacity plants. The sector has significant linkages at the back end in terms of crop growing and value addition. Commodity prices hitting life time highs and with volumes bouncing back, top line growth has been buoyant. There has been pressure on working capital requirements as well.

"Marigold Oleoresin Industry" experienced severe shortages due to the failure of 2010 Chinese crop. China contributes 75% of the global production with the rest coming from India. Prices increased during the second half of the year under review. With increases in prices, the hitherto dormant countries like Peru, Mexico and India have started cultivation of Marigold. With sky rocketing prices, Poultry Producers have substituted the natural marigold pigment with Synthetic with a resultant drop of 25 to 30% in Marigold consumption in the key market of Mexico. Despite the drop in demand, Supply Demand balance will take some time to achieve. Till such time, Marigold prices are expected to rule high.

"Decaffeination of Tea" is a "niche" segment with the growing concerns of "health" especially in the Western markets. However, the cost of removing Caffeine from Tea has to be minimal to boost demand. Asian plants are more cost efficient than their Western counterparts and will therefore play a dominant part in this growing market.

PERFORMANCE AT GLANCE:

Your Company had shown improved performance during the year under review with 67% growth in top line to **Rs. 138.90 Crores** and 66% growth in bottom line to **Rs. 10.81 Crores**. All 3 Product Categories did extremely well during the year. Highlights of the overall performance are:

- Your company is to a great extent insulated from the Commodity based global competition in Spice Oleoresins especially from China. The strategy of focusing on "high value, speciality, niche" products has paid off well.
- A "Risk Mitigated", "Stable" and "More Extensive" farming system for Marigold launched in 2010 has helped your company to double the flower output during the year under review. A very favourable and timely monsoon rains also helped the crop growing, increased productivity and more flower output.
- The expanded extraction capacity - second continuous plant was set up in 2009 - has helped the company to

record significant increases in Tea Decaffeination volumes during 2010/11. Demand revival in the Western Markets with a competitive cost structure is helping Sales and Profitability.

FUTURE OUTLOOK:

Xanthophylls from Marigold Flowers produce two important ingredients in the maintenance of eye health - Lutein and Zeaxanthin. Made into dietary supplements, these substances can help keep eyes healthy by keeping high Carotenoid levels in the macula of the eye, thereby preventing "Age-Related Macular Degeneration (AMD)". Your company is well entrenched in both the Carotenoids.

AVT NPL has signed a long term Supply Agreement with Chrysantis Inc, a subsidiary of Ball Horticultural Company, Chicago for the exclusive supply of "Zeaxanthin" from a different type of proprietary Zeaxanthin-Lutein Marigold Hybrid developed by Ball. Chrysantis markets Zeaxanthin under the brand name "EZ Eyes".

The "Critical Global Strategic Partnership Agreement" signed with Kemin Health, L.C. (Kemin), Des Moines, Iowa, USA in 2008 for exclusive long term supply of Marigold Oleoresin is of significance to AVT NPL's continued growth in the eye care segment. Kemin and AVT are working together in further strengthening the Lutein (Eye care ingredient from Marigold Oleoresin) supply chain in anticipation of the emerging global competition. Volume growth of this key product in the near term is expected to be very healthy.

Kemin has launched a multimillion dollar promotional campaign to aggressively promote its "FloraGLO" Lutein brand in the Eye Care segment ahead of the release of "AREDS-2" (Age-Related Eye Diseases Study - 2) in 2015, a clinical study sponsored by the US Government's National Eye Institute. Long term potential of the two key ingredients of Eye Care - Lutein and Zeaxanthin - as per AREDS 2 is high. Your company has a significant presence in the "Eye Care" segment through long term partnerships with Kemin and Chrysantis.

2011 Crop outlook is encouraging with timely Summer and Monsoon rains. With increased area under cultivation and demand-supply imbalance continuing resulting in higher prices, 2011/12 outlook for Marigold Oleo segment is very promising.

Coming out of the Global slowdown in 2008, Spice Oils & Oleoresins and Value Added Beverages are expected to recorded higher growth during 2011/12.

RISK MITIGATION:

The risk factors in AVT NPL's business are:

- o Agro-climatic risks associated with Marigold growing.
- o High customer and product concentrations.
- o Increasing Fixed costs.
- o High working capital intensity of operations.

The risk mitigation strategies already in force are:

- Geographical and Seasonal diversification of Marigold growing - only Global Company to grow Marigold in 2 countries of China and India.
- India growing in 4 locations in Tamil Nadu, Karnataka and Andhra Pradesh.
- Expanding Customer base.
- Product portfolio expansion.
- Explore market based Raw Material for processing to reduce working capital outlay.

INTERNAL AUDIT:

Internal audit program is designed based on the nature of business activities after taking into consideration the major risk factors related to business and being duly approved by the Audit Committee. For smooth execution of audit program it is segregated quarter wise. The Internal Audit team reviews the quality of planning and execution of all ongoing projects and activities involving significant expenditure to ensure that management's controls are adequate to yield "value for money". The audit committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvements for strengthening them, as appropriate. The management duly considers and takes appropriate action on the recommendations made by the statutory auditors, internal auditors and the independent Audit Committee of the Board of Directors.

HUMAN RESOURCES:

The Company considers its employees to be the most valuable asset and is committed to providing a conducive work environment to enable each individual employee to fully realise his or her potential. Continuous learning, updating HR systems in line with best practices and aligning rewards and recognition with performance have enabled the Company to sustain its reputation of a performance driven organisation. AVT NPL enjoys excellent employee relations which have been built over the years by taking various initiatives to enhance the employee morale. Management is investing in enhancing technical and managerial skills of employees for building competencies needed for our growth plans.

ANNEXURE - III
Corporate Governance Report

Pursuant to clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the report on the matters mentioned in the said clause and the practices followed by the Company.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy on Corporate Governance envisages maintaining a high level of disclosure and transparency in all its operations. It aims at enhancing the shareholder value through adoption of sound business practices, prudent financial management and a high standard of ethics throughout the organisation.

2. BOARD OF DIRECTORS

The Board comprises six Directors with knowledge and experience in different fields like engineering, manufacturing, finance and business management.

The Board has an appropriate mix of executive and independent directors to ensure proper governance and management.

Composition and category of Directors is as follows:

Category	Name of the Directors
Promoter/Chairman	Mr. Ajit Thomas
Managing Director	Mr. M.S.A. Kumar
Non-Executive Director	Mr. Habib Hussain
Non-Executive and Independent Director	Mr. M.A. Alagappan
Non-Executive and Independent Director	Mr. Shyam B. Ghia
Non-Executive and Independent Director	Mr. P. Shankar

Shareholding of Non-Executive Directors as on 31.03.2011

Name of the Non-Executive Director	No of Shares held
Mr. Ajit Thomas (Promoter/Chairman)	30,000
Mr. M.A. Alagappan	1430
Mr. Shyam B. Ghia	—
Mr. P. Shankar	—
Mr. Habib Hussain	42,132

a) Board Meetings

Number of Board Meetings held and the dates on which they were held.

During the year 2010-11, the Board met five times and the dates on which the meetings were held are as follows
27.04.2010, 29.07.2010, 09.09.2010, 22.10.2010 and 31.01.2011.